

Supporting Statement for the Senior Financial Officer Survey (FR 2023; OMB No. 7100-00223)

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Senior Financial Officer Survey (FR 2023; OMB No. 7100-00223). The Federal Reserve uses this voluntary survey to collect qualitative and limited quantitative information about liability management, the provision of financial services, and the functioning of key financial markets from a selection of up to sixty large commercial banks (or, if appropriate, from other depository institutions or major financial market participants). Responses are obtained from a senior officer at each participating institution through a telephone interview conducted by the Federal Reserve. While the survey has not been undertaken since 1998, authority is requested to conduct it up to four times per year when major informational needs arise and cannot be met from existing data sources. When the survey is conducted four times per year, the annual burden would be an estimated 232 hours. The survey does not have a fixed set of questions; each survey consists of a limited number of questions directed at topics of timely interest. Accordingly, a sample form is not included in this proposal.

Background and Justification

The Federal Reserve uses the Senior Financial Officer Survey to obtain information about deposit pricing and behavior, bank liability management, the provision of financial services, and reserve management practices. The survey helps pinpoint developing trends in bank funding practices, enabling the Federal Reserve to distinguish these trends from transitory phenomena. It also complements other deposit reports that, by themselves, provide little insight into the causes of the changing behavior of deposit holders and depository institutions. Moreover, the survey has given the Federal Reserve the opportunity to follow periodic developments in financial markets related to extraordinary events that are beyond the scope of other reports.

In February 1994, a survey requested information about the availability and profitability of providing brokerage services to retail customers and the provision of non-brokerage services to mutual funds. This survey found evidence that large banks were continuing to expand their retail brokerage programs and helped quantify the importance of these activities for bank profitability. Another survey conducted in December 1994 focused on bank funding practices. Results from this survey helped identify factors that explained banks' increased reliance on managed liabilities to fund domestic credit. In May 1996, a survey was designed and conducted to investigate bank reserve management practices in order to increase understanding of how banks might operate with low required reserve balances. Information from this survey assisted in the smooth implementation of monetary policy as sweep accounts drove down the level of required operating balances. A survey conducted in May 1998 was designed to gauge the effect on banks' reserve management of the imposition of a charge on banks that overdraw their accounts at the Federal Reserve during the course of the day (the so-called daylight overdraft fee) and the expansion of the operating hours of the fedwire system. The survey documented the tendency of banks to concentrate delivery of federal funds later in the day, potentially in response to changes

in the Federal Reserve's intra day credit policy. This survey also confirmed previous anecdotal evidence that banks used the extension of fedwire operating hours to transfer funds linked not only to international transactions, which was expected, but also to domestic transactions.

As illustrated by these examples, the Senior Financial Officer Survey has assisted the Federal Reserve in its assessment of bank behavior and financial market conditions by improving knowledge of institutional arrangements and by permitting prompt inquiries in response to unusual circumstances. Information collected through the survey has contributed to the formulation of monetary policy.

Description of Information Collection

Both the frequency and the content of the Senior Financial Officer Survey have been, and will continue to be, determined by future exigencies. Hence it is difficult for the staff to stipulate the exact nature, type, or timing of future surveys. In the past, surveys have been conducted at irregular intervals and have included both qualitative and quantitative questions. The Federal Reserve recommends no change in the frequency of this report.

The primary panel of respondents, identical to the U.S. commercial bank subset of respondents for the Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058), currently comprises fifty-eight large domestically chartered commercial banks, distributed as evenly as possible across Federal Reserve districts.¹ The assets of these banks as of September 30, 2005, totaled \$5.8 trillion, or roughly 66 percent of the assets of all domestically chartered, federally insured commercial banks. The overlap between the reporting panels of these surveys aids the Federal Reserve in interpreting the data received.

Although the primary panel of respondents has been, and will likely continue to be, appropriate for most survey topics, panels based on alternative criteria may be more appropriate and efficient for some situations. Consequently, the option would continue to be available to survey other depository institutions or major participants in financial markets. This option greatly enhances the potential scope and utility of the survey.

Time Schedule for Information Collection and Publication

The survey may be conducted up to four times per year, generally prior to selected Federal Open Market Committee (FOMC) meetings. Recently, the survey has been conducted much less frequently: since 1995, only two surveys have been conducted (one in May 1996, the other in

¹ The FR 2018 reporting panel also has a subset composed of large U.S. branches and agencies of foreign banks. These institutions are not included in the primary FR 2023 panel because most of their funding operations are in the wholesale, not retail, market or in their home countries. However, should the need arise, U.S. branches and agencies could be surveyed as an optional panel.

May 1998).² To the extent possible, the Federal Reserve notifies respondents in advance as to the topic(s) to be covered in an impending survey. In extraordinary circumstances, when such notice is not possible, the decision to waive this advance notice provision would be made only by Federal Reserve officials. Responses are collected through a telephone interview with a senior officer at each respondent either by a Federal Reserve Bank officer or senior-level staff member who has expertise in the area of bank liability management, or by a Federal Reserve staff member, as appropriate.

Survey responses are tabulated, summarized, and forwarded to Reserve Banks for distribution to respondents and also are available to other members of the public.

Legal Status

The Federal Reserve's Legal Division has determined that the survey is authorized by law [12 U.S.C. §§225a, 248(a), and 263] and is voluntary. It has been anticipated that most, if not all, of the information to be collected on the FR 2023 would be exempt from disclosure under subsection (b)(4) of the Freedom of Information Act [5 U.S.C. §552 (b)(4)]. However, it also is possible that some information that might be collected on this survey may not be exempt, depending on the specific questions to be asked. Thus, the confidentiality status of the survey would be determined on a case-by-case basis, when the specific questions to be asked on each particular survey are formulated but before respondents are contacted. Then, each time the survey would be conducted, respondents will be informed of the confidentiality status of that particular survey.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

²There were no mitigating circumstances requiring additional surveys. Such circumstances could arise in the future, however, and in order to maintain the Federal Reserve's ability to keep abreast of important market developments, the authority to conduct up to four surveys a year is considered essential.

Estimate of Respondent Burden

As shown below, total respondent burden for the FR 2023 survey is estimated to be a maximum of 232 hours annually, based on four surveys per year and an average response time of one hour.³ This represents less than 1 percent of total Federal Reserve System burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2023	58	4	1.0	232

Based on the rate of \$50 per hour, the annual cost to the public for this report is estimated to be \$11,600.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System for processing this report is negligible.

³Actual burden underlying the average one-hour response time varies considerably not only from survey to survey, depending on the number and nature of the questions, but also among respondents for any one survey.